

Exhibit A-3



January 29, 2015

Mr. Derrick F. Jones
Purchasing Manager
City of Flint
Department of Purchases and Supplies
1101 S. Saginaw Street, Room 304, Third Floor
Flint, Michigan 48502

**Subject: Response to Invitation to Bid
Water Quality Consultant**

Dear Mr. Jones:

In response to your Request for Bid/Proposal (RFP), **Veolia Water North America Operating Services, LLC** (Veolia) is pleased to have the opportunity to provide this letter submittal. We have prepared a response that is focused on providing the **City of Flint** with a complete solution to address the immediate reliability and operational needs of your water system throughout your continuous operations - whether under the current draw from Flint River or future draw from Lake Huron.

In reviewing the challenges that the City of Flint is facing, we present a longer-term solution-of approach for the Operational Evaluation Report, which involves implementation and monitoring through 2016 and the transition to Lake Huron supply. Our commitment to ~~the partnership with~~ the City of Flint is to make sure the utility can ~~identify~~ the immediate issues through the proposed report, and also secure its future by addressing and fixing these issues identified in the report, build capacity for the future, and better manage the change in water sources in 2016.

Depending on the City's preference, Veolia's expertise to reinforce operations is available to Flint through our proposed approach is focused on day-to-day operations and implementation assistance either performance advisory services using our innovative Peer Performance Solutions (PPS), or through approach of our longer-term contract operations, and maintenance and management (OM&M) approach services. Both approaches are designed to help the City of Flint ~~to~~ benefit from operational reliability and utility-wide efficiencies ~~through a structured up-down and bottom-up process.~~ The key differences between the two approaches are the extent of Veolia resources mobilised to be on the ground and the level of delegated management.

~~Through~~ With the PPS approach, Veolia addresses fundamental issues from the grounds-up to deliver improved reliability, ~~and~~ compliance and efficiencies to major water and wastewater agencies ~~like yours.~~

VEOLIA WATER NORTH AMERICA OPERATING SERVICES, LLC

101 West Washington Street, Suite 1400 East, Indianapolis, IN 46204 - Telephone: 317/917-3700 - Fax: 317/917-3718 - Website: www.veolia.com

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Under this model, our subject matter experts would work in collaboration with your management, line managers and operators to develop and ~~agreed upon the best path forward that suits the City best.~~ The City remains in control of all levels of management at all times and benefits from Veolia's expertise through the support of a small team of on-site experts, who in turn can access the rest of our company's worldwide resources.

~~This highly collaborative project model evolved as subset of Veolia's G&M services delivery approach, an approach that our firm first applied over 42 years ago under the first municipal contract operations partnership in the U.S. an ongoing partnership with the City of Burlingame, California. Today, our firm continues to use this model today to provide water and wastewater G&M services to over 160 municipal clients. Indeed, Veolia has award winning experience in the operation of surface water plants, and we feel that it as important to let you know about our expertise and experience with a listing of Veolia operated water treatment plants is provided as an attachment at the end of this letter.~~

Veolia's PPS approach is highly data-driven to identify and implement cost savings and deliver utility optimization and organizational best practices. One key example of this model at work is in our ongoing contract with the Pittsburgh Water & Sewer Authority (PWSA). That partnership began in 2012 and was just (this past month) extended for a new term. Working with the PWSA, Veolia is implementing a long-term strategy to improve water quality and customer service, increase efficiency, and overcome financial challenges.

~~PWSA is an agency~~ serves the needs of more than 310,000 people in the greater Pittsburgh area, and Veolia assisted them in realizing more than \$5.5 million annually in recurring revenue and efficiencies. This involved working with PWSA to establish a Distribution System Optimization Plan with the State agency, implement a Process Control Management Plan at the water treatment plan to identify early warnings for non-compliance trends, update the laboratory Quality Control/Quality Assurance (QA/QC) program to initiate performance monitoring methods, and initiate the use of compliance metrics to improve relationships with regulatory agencies. We also implemented a Community Outreach Program to improve public perception of PWSA and create positive media attention.

Veolia is also applying the PPS model for New York City's water and wastewater operations. Under a contract that began in 2011, Veolia has reviewed all aspects of that utility's practices to assess potential improvements.

Working collaboratively with the City's water and wastewater operators and managers, Veolia focused on areas including: chemical use and pricing; labor productivity; inventory management; sludge

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process optimization; and overall operations and maintenance. Under this approach, we identified opportunities that are expected to yield annual recurring financial benefits of more than \$100 million by 2016 -- to date, more than \$90 million in savings and revenue enhancements have been reported by New York City.

The highly collaborative PPS partnership model evolved as an alternative to Veolia's O&M services delivery approach, an approach that our firm first applied over 42 years ago under the first municipal contract operations partnership in the U.S. - an ongoing partnership with the City of Burlingame, California. Today, our firm continues to use this model to provide water and wastewater O&M services to over 160 municipal clients. Indeed, Veolia has award-winning experience in the operation of surface water plants - a list of Veolia-operated water treatment plants is provided as an attachment to this letter. Veolia's contract operations services are also available to Flint, as an alternative to PPS.

Veolia's Understanding and Proposed Approach to Providing the Water Quality Consultant Scope

Our longer-term approach would begin with providing the immediate assistance outlined in the RFP and beyond. We would then help with the transition from the Flint River source to Lake Huron water to avoid a repeat of this scenario. That transition is expected to be in place in 2016 and will complete the City's transition from using water provided by the Detroit Water and Sewerage Department (DWSD) to drawing water from the Flint River, using the City-owned water plant.

With a Notice of Proceed issued, we would mobilize a team of experts including our two prominent water subject matter experts from our corporate Technical Services Group (an in-house team of technical and management experts that support the company's projects and operations throughout North America):

- **Marvin Gnagy, P.E. - Water Process and Quality Manager** - He has more than 37 years of water quality management experience, and is a certified Water Operator in Ohio and a Registered Professional Engineer. Mr. Gnagy has completed projects that have involved the set of tasks that the City as defined under this contract. Added to that, he was most recently engaged as a part of a Veolia team of experts that worked with the Detroit Water and Sewerage Authority (DWSD) and the City of Detroit on a program to evaluate their water and wastewater operations and proposed solutions. This included conducting an intensive due diligence examination of the facilities and operations, and the development of two reports, a Peer Review Report, which looked at the current operations with a focus on identifying immediate and long term needs, and a Transition Plan: Retail Services for the City of Detroit, which outlined the issues facing the DWSD and the City as the water and wastewater operations changed under a new

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regionalization approach. Through that work, Mr. Gnagy understands the City of Flint's drivers for this new project, and will be able to use the work that Veolia has done to date for the DWSD to aid in identifying the optimal solution for your water system and the transition from DWSD to your own operations.

His background and key experience that relates directly to the work scope outlined for Water Quality Consultant tasks includes:

- Very broad experience with both river water and groundwater treatment on project work involving unit process design and operations to meet drinking water standards and water quality goals. Mr. Gnagy has conducted numerous studies involving Disinfection Byproducts (DBP) (particularly THM) reduction to meet drinking water standards, establishing treatment alternatives and process targets for THM compliance solutions.
- Prepared the master plan and performed plant evaluations for unit process improvements to meet future drinking water standards for the 10 mgd Adrian, Michigan Water Treatment Plant. The plan discussed multiple options for process improvements and chemical feed adjustments specifically targeted for THM control treatment. Jar testing was used to define the chemical dosing and treatment scheme that resulted in the most effective THM reduction solution for the city.
- Served as project manager for the DBP Reduction Study for the 67 mgd Akron, Ohio Water Supply Plant. The study reviewed jar testing evaluations and historical monitoring records to develop the necessary treatment process adjustments to effectively reduce THMs in the drinking water. Computer models were developed using the data obtained to predict the chemical treatment needs based on source water quality, and to predict THM concentrations following treatment adjustments using the chemical treatments selected. Recommendations included chemical feed adjustments and further study related to advanced treatment technologies.
- Served as project manager for an optimization study for the 2.2 mgd Blissfield, Michigan Water Treatment Plant to determine needs for improved turbidity and THM concentrations. All major unit processes and chemical feed systems were evaluated for optimal treatment needs. Jar testing and plant operating adjustments were made weekly to improve water quality and process control. Implementation of organics control treatment was accomplished that successfully achieved compliance with both the turbidity and THM compliance requirements.
- Conducted plant reviews, performed process design changes, designed new flocculation equipment replacements, and designed and started-up new washwater handling operations for several of the Detroit, Michigan Water Treatment plants.

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Worked was conducted at the Southwest plant, the Lake Huron plant, and the Springwells plant to improve operations and to meet drinking water compliance.

Mr. Gnagy's resume is provided as an attachment at the end of this letter.

• **Theping Chen, P.E. - Process and Operations Optimization Manager**

- He has close to 30 years of water engineering, operations and research experience, and he spent 15 years as a water consulting engineer in Michigan and is a Registered Professional Engineer in the State of Michigan. His experience includes working with the DWSD on various projects related to master plan, source water protection, water quality management, treatment process optimizations including PAC and ozone design criteria development, taste and odor control, residual management and capital improvement program development. Mr. Chen has worked extensively with the Michigan Department of Environmental Quality (MDEQ) on compliance issues with focus on water quality compliance. He is also a well-published author at the national and state level conferences.

With Veolia, Mr. Chen has been engaged in supporting Veolia's ongoing operations and management contract for the City of Buffalo, New York's water operations, and providing technical support to Gloucester and Brockton WTPs including jar testing evaluation and compliance strategies development for DBPs

His background and key experience that relates directly to the work scope outlined for Water Quality Consultant tasks includes:

- Broad experience with both river water and groundwater softening treatment on project work involving: on-call engineering, comprehensive needs assessment, filter and chemical system rehabilitation projects for a 9.1-MGD water treatment plant (treating combined groundwater and river source water) at that City of Marion, Ohio, under a scope of work that involved investigating DBP control strategies and conceptual design of a UV treatment system; a comprehensive regulatory review and capacity evaluation for the City of Dayton, Ohio's two groundwater water treatment plants (96-MGD each rated capacity); and a comprehensive disinfection and DBPs compliance strategy review for the City of Ann Arbor, Michigan's water treatment plant (a combined surface and groundwater softening plant with at rated capacity of 27-MGD) as part of a Water Master Plan project.
- Ozone and disinfection technologies experience, which included ozone system study, design, construction management, and optimization project experience for over ten water treatment plants.
- DBP compliance experience, including: optimizing and upgrading ozone systems, and proposing the use of biological

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filtration to enhance the TOC removal to control DBPs for the Shreveport water treatment plant, Louisiana; optimizing chlorination application, a review of contact time calculation to minimize DBP formation, and proposing UV system upgrades for the Marion water treatment plant, Ohio; evaluating commercial and self-fabricated aeration system for installation in the elevated and groundwater storage tanks to reduce the hot spots in the distribution system at the Northern Kentucky water treatment plant; and development of tracer test program to calibrate the water quality model for the City of Akron.

A full resume for Mr. Chen is provided as an attachment to this letter.

The staff will be responsible for delivering on the immediate tasks that the City has defined:

- Reviewing and evaluating the City's water treatment process and distribution system. This will include evaluating the City's processes and procedures to maintain and improve water quality.
- Developing a report on the finding of the evaluation, with specific recommendations to maintain compliance with both State and federal agencies. This will include outlining recommendations that will improve the water treatment and distribution system.
- Assisting the City in implementing accepted recommendations, this will include providing continual oversight and support to the City for the implementation of any approved recommended practices. Recommendations with focus on those that will improve the overall process of treating and distributing water, including improvements to water quality until the implementation of the KWA project (anticipated to be by mid-2016) under which the City will be receiving and treating Lake Huron water.

In addition to Mr. Gnagy and Mr. Chen, our core staff group who would be assisted by other technical, operations, management and communications experts from Veolia to proceed promptly into implementation simultaneously.

We believe that addressing the fundamental issues concerning water quality compliance and operational reliability is much more complex than a recommendations study and providing advisory services. We want to ensure that the utility can fix these immediate issues effectively and without delays, while at the same help the City to begin to build capacity for the future and better manage the 2016 water source change in a systematic way -- with all the relevant stakeholders engaged along the way.

In undertaking these tasks, Veolia understands that in 2014 the City completed the transition from using water provided by DWSD to drawing water from the Flint River and utilizing your own water plant to treat and distribute water to those served by your system.

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Since this transition process was completed, it was found that many of the City's eight water quality testing sites were showing low chlorine residual levels and several of those sites developed into positive tests for total coliform and resulted in the issuance of boil water notices for precautionary measures. To address this, the City implemented valve replacements and additional chlorination that yielded consistent chlorine residuals throughout the system. However, quarterly reporting to the MDEQ of Disinfectant Byproduct Levels resulted in trihalomethane levels above the maximum contaminant level (MCL), with an annual average that triggered a violation notice from the MDEQ.

To date the City, working with an outside engineering team, has developed and submitted to the MDEQ an Operational Evaluation Report. The next testing period is scheduled for the middle of February and an update to this report will be required, one which incorporates the results of the tests required by the MDEQ. That report is due no later than March 1.

The City is expecting to work with the selected Water Quality Consultant to complete the required testing and prepare the updated Operational Evaluation Report. As a secondary element of this task, the City is seeking to retain the selected Consultant to aid in the implementation of these suggestions.

Veolia excels at the day-to-day operation issues and understands how to fix them using diverse and subject matter expertise in a structured, bottom-up staff engagement process. That is why we design the PPS approach to help convert the report findings into actionable items for the City of Flint staff and then help them implement those changes. This would involve making sure the staff understands why changes are being made, making sure they have the training to make the changes and then following up to be certain what is planned works or if not then provide help making adjustments. This will involve also a monitoring process to make certain the changes are on track for management and the public. All of this can then be used to help in being prepared to begin receiving and treating raw water from Lake Huron through the KWA. The end goal will be to develop with in the staff a better understanding and capability to handle the changes in water whether drawing water from the Flint or the new KWA supply.

Veolia's Anticipated Level of Effort

In order to respond to the immediate needs of your defined scope of work, we anticipate mobilizing a team of approximately five to seven technical, operations, maintenance and communications subject matter experts to calibrate daily water quality samples with the City's hydraulic model, refine the operational strategies for the plant and distribution system, coordinate the daily efforts across plant, operations and maintenance staff, and alleviate continued concerns from the public through public communications.

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The elements of this approach are delivered under a management and staffing approach which allows for collaboration between the City and Veolia's technical and management team.

We would set a single lump sum price for the study, implementation and long term services after review and discussion with the City on selecting the PPS approach or the contract operations OM&M approach. At that time, we can also explore an incentive-based (risk/reward) type of approach. This is common under PPS contracts, where Veolia's fee is based on achieving performance targets that we would mutually agree upon.

Proven by our experience with our water and wastewater clients, the PPS model has provided great insight into working with large utility staffs to change the culture and ensure implementation of ideas that improve the utility's performance. For purposes of the RFB/P, our core staff would be charged at a common rate of \$225/hour, plus expenses.

The methodology for implementing a PPS approach, as illustrated on Figure 1 (below), includes each of the following steps:

- Preparation - Mobilization, the joint project kickoff, development and implementation of the communications plan, and data collection. The City and its consultants have already done a lot of work on the problem and are achieving some success.
- Top-down Analysis - Data analysis, benchmarking, field observations, interviews and idea generation workshops. This would be done to assure how effective current changes have been and if there are any additional actions to be taken.
- Bottom-up Analysis - Detailed analysis and modeling of the available options—working in collaboration with each client's management team and staff.
- Action Plan - Defining specific steps for a recommendation based on the actual, current state and desired state performance of an asset.
- Plan and Report - Providing a written report summarizing findings and presenting analyses and recommendations

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The actions above are what we would provide during the study phase of the project. The following actions are what we would do to implement the study recommendations

- Implementation - Putting plans into action. This involves working with operations, maintenance personnel and management to carry out the proposed plan. This effort should build capacity and confidence with the staff to solve the problem.
- Monitoring and Repeat - Monitoring the process and then repeating it, digging even deeper into the organization for additional savings and improvements.

Using this type of plan and approach, Veolia can address the immediate scope/needs defined for the Water Quality Consultant task, and work with the City of Flint to provide a long-term and sustainable approach for the needs of your water treatment and supply system.

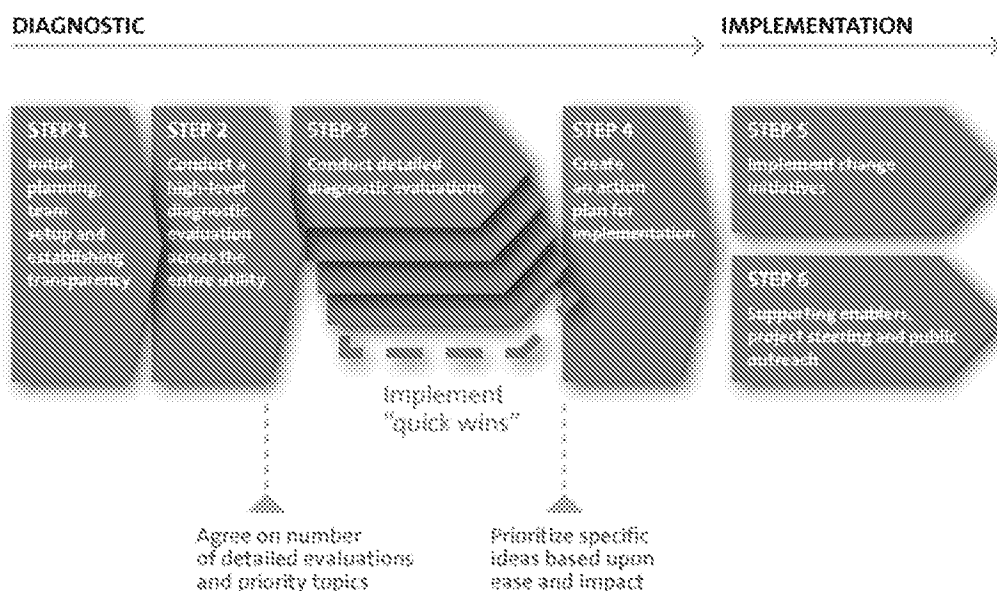


Figure 1.
Veolia
Peer Performance
Solutions (PPS) –
Service Delivery Model

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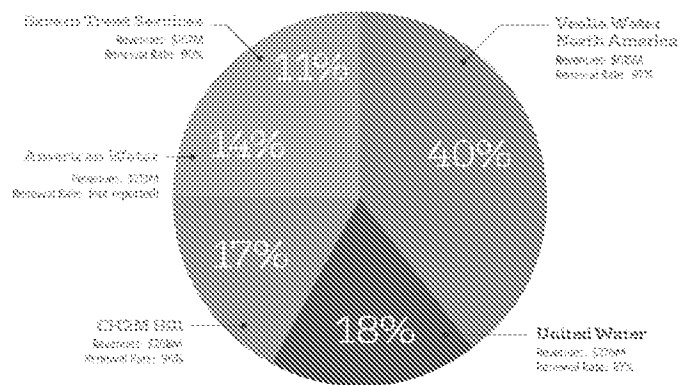
Addressing the Requirements of the Invitation for Bid

Veolia recognizes that we are submitting this Proposal as an ~~alternative type of an~~ approach for the City of Flint to consider within the procurement process that you have defined and in that regard we are providing the other specific information that your have requested as part of the formal response.

- Company's Information - Veolia Water North America Operating Services, LLC is the respondent, and the contact information for our firm is as follows: Veolia - 101 West Washington Street, Suite 1400 East, Indianapolis, IN 46204 - Telephone: 317/917-3700
- Firm Background and History - Veolia is a company that traces our history in providing operations and related services to municipal clients back more than 42 years. Today our firm ranks as the leader in the delivery of O&M and related services, including those under the PPS model. This include serving as the operator and manager of over 180 municipal wastewater systems (processing over 1.66 billion gallons a day of flow) and some 90 municipal water systems (providing over 715 million gallons a day of water).

Today, Veolia ranks grown as the leading water services provider in North American market, with more projects and operations, more resources and expertise, and more demonstrated success than any other services provider. This record of performance and market leadership is affirmed in the most recent survey from the publication Public Works Financing (opposite), which shows Veolia's better than 40% market share, with revenues and a renewal rate that lead the industry. What these market leading

Water operators ranked by 2013 revenues
O&M and DBO market share reported by Public Works Financing (PWF) | March 2014



Veolia in North America – Experience Profile

- 188 Municipal and Commercial Clients
 - 90 Municipal Water Treatment Facilities
 - 2,952 Miles of Distribution System Lines
 - 87 Water Pump Stations
 - 171 Water Wells
 - 183 Municipal Wastewater Treatment Facilities
 - 5,286 Miles of Collection System Lines
 - 1,158 Wastewater Pump Stations
 - 31 Industrial Pretreatment Programs
 - 13 Billing/Collection Operations
 - 23 Meter Reading Operations - 147,399 Meters Read
 - 4 Public Works Operations (other than Water/Wastewater)
 - 6 Operations Assistance/Peer Performance Solutions Projects
 - 53 Energy Installations (owned/operated/managed)
 - 631.6 MW of Energy Generation/Supply Capacity
 - 290,394 tons per day of Chilled Water Capacity
 - 443 MMBTU/hour Total Hot Water Capacity
 - 13.2 million pounds/hour of Total Steam Capacity
- 95 Industrial Clients
 - 60 Industrial Wastewater Treatment Facilities
 - 23 Industrial Water Treatment Facilities
 - 913.3 Million Gallons Water Treated Daily
 - 1.7 Billion Gallons Wastewater Treated Daily
 - 293,089 Dry Tons of Biosolids Processed/Year
 - 19.2 Million+ Population Served Daily

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Figure 2.
Veolia Service
Delivery Models
and Experience

Veolia Example →	NYC	Buffalo	Milwaukee	Indian- apolis	Baltimore Compost	Rialto California	Franklin Ohio
Options → Project →	PPS	Delegated Manage- ment	Single Activity O&M	Full O&M	DBO or T	Concession	Privatiza- tion
Ease of Procurement	●	●	●	●	●	●	●
Agreeable to Employees	●	●	●	●	●	●	●
Ease of Cancellation	●	●	●	●	●	●	●
Public Rate Control	●	●	●	●	●	●	●
Speed of Implementation	●	●	●	●	●	●	●
Ease of Permitting	●	●	●	●	●	●	●
Ease of Continued Use of Alternative Project Delivery	●	●	●	●	●	●	●
Ease of Acceptance by Other Stakeholders	●	●	●	●	●	●	●

indicators serve to show is that we can meet the standards of experience and capabilities that the City is requiring for a Respondent to be considered qualified for this proposed new partnership.

- Firm Qualifications, Experiences and References - Like the City of Flint, we are at our core utility managers and service providers, and Veolia understands the need for high quality, efficient service and dependable reliability. We also work with agencies like yours to deliver services under a variety of contract models, each focused on providing our municipal partners with the best value under a long-term and sustainable approach and customized to their objectives. Figure 2, at the top of the next page, outlines our experience with various service delivery models, which involves working with clients to develop a customized approach to meet their particular needs and objectives. This diagram illustrates the key advantages of each service, with green being optimal in terms of ease of execution and delivery and red being the most challenging and complicated in terms of delivery. This table also highlights example projects where our firm has successfully delivered each of these approaches. What this table also shows is that we can offer alternative transaction structures, including long-term lease, concession arrangement or sale/purchase.

As we discussed above, Veolia currently operates and manages 90 municipal water systems (providing over 715 million gallons a day of water). At the end of this letter we have provided a summary table of this experience.

Following here we provide some of the specific clients/projects named above as the core references that we are submitting for the City of Flint's consideration:

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- **Pittsburgh Water and Sewer Authority (PWSA), Pittsburgh, Pennsylvania** - The PWSA's Board of Directors unanimously selected Veolia in 2011 to deliver an innovative approach to managing the system, provide measurable results to customers and demonstrate an ability to quickly and easily collaborate with employees. In 2014, this management assistance/PPS contract was extended for a new term, recognizing the success of the effort to date. Since the beginning of this partnership, Veolia assisted the PWSA in realizing more than \$5.5 million annually in recurring revenue and efficiencies. PWSA provides water and sewer services to 300,000 people in the City of Pittsburgh and surrounding areas. The agency hired Veolia to: 1) provide interim executive management services, leading 270 public employees in the delivery of water and wastewater services in the greater Pittsburgh area; and, 2) conduct a study to identify ways to cut costs and improve service. Under a management assistance scope, Veolia has worked with the PWSA to establish financial controls that limit spending and increase accountability, foster competition among companies seeking to do business with and on behalf of the PWSA, and identify opportunities for operational efficiencies having a direct impact on the utility's bottom line.

Under this contract, Veolia's management team is integrated into PWSA's organization to manage the agency's staff at their offices and operations sites, while another team of experts jointly identifies and evaluates improvement opportunities. This joint effort aims to help the PWSA improve the utility's customer service and performance levels.

The study phase of this project (Phase 1) was completed, and that work effort helped PWSA improve the customer service and performance levels by utilizing in-depth diagnostics of current operations. Veolia also developed recommendations for improvement that were approved by the PWSA board, and we are now supporting PWSA employees in implementing initiatives aimed at reaching new performance metrics. The Phase 1 report identified measures that will lead to annually recurring savings. During the partnership's first year, a team of water and wastewater experts from Veolia helped PWSA improve the utility's customer service and performance levels by conducting in-depth diagnostics of current operations, developing recommendations for improvement and supporting PWSA employees in implementing initiatives aimed at reaching new performance metrics. The analysis and resulting operational changes helped PWSA reduce its cost of operations and increase the utility's revenue by, among other things, re-securing a large commercial customer. The total impact of these changes is nearly \$2.4 million annually and enabled the Authority to approve an annual budget without a water rate increase.

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Early quick-wins under Phase 1 work for this project involved optimizing water production run-times at the membrane plant, which will reduce chemical costs by \$350,000 annually, and implementing enhancements at the customer service call center that slashed the call-abandonment rate almost immediately and reduced customer call waiting time by half. A key focus of the work is on identifying efficiencies in operations and maintenance of over \$3 billion in above- and below-ground infrastructure that serves the water and sewer conveyance needs of customers across 54 square miles. The initial tasks in this area involved working with the PWSA's managers and staff to meet Consent Decree obligations to state and county regulators. Under this initiative, Veolia's management and support teams worked to organize the department and create a culture of responsibility and accountability for the success or failure of projects. Veolia also worked with the PWSA's local and national engineering consultants and contractors to get them back on schedule, clearing a backlog of potentially litigious disputes, which allowed projects to move forward. Other tasks included working on the feasibility of creating a stormwater authority to better assess stormwater usage and create additional revenue for increased levels of service.

Additionally, Veolia assisted with the planning for a more than \$150 million Capital Improvement Program (CIP) covering three years. This initial program addressed the PWSA's most critical infrastructure needs. The underground (water and sewer) pipelines in Pittsburgh are 80 to 100 years old and winter line breaks are a constant occurrence, so the PWSA is continually replacing underground assets.

Throughout these efforts, Veolia's Pittsburgh-based team worked side-by-side with the PWSA's staff, helping them execute the utility-approved initiatives and training them to sustain the work after the work of this partnership is complete.

- Client Reference: Alex Thomson, Chairman of the Board, PWSA
c/o Houston Harbaugh, P.C. -
Three Gateway Center, 401 Liberty Avenue, 22nd Floor,
Pittsburgh, PA 15222
- Telephone: 412/281-5060 - Email: athomson@hh-law.com

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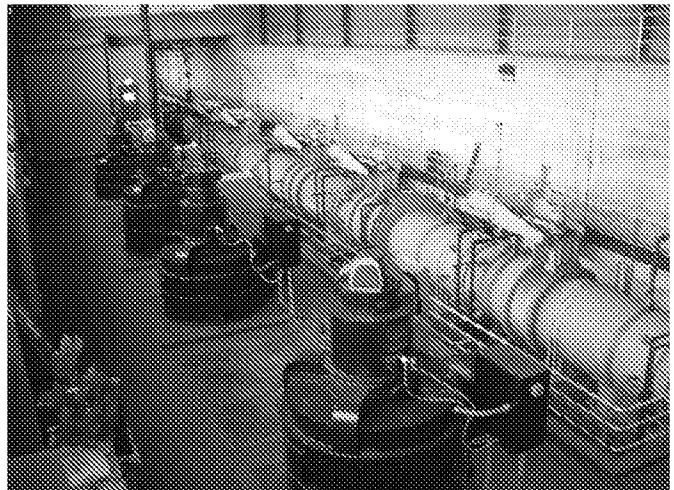
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- **City of Buffalo, New York** - In 2010, Veolia began a 10-year partnership with the City for the O&M of their water supply system, which serves more than 77,000 customer accounts. This is the largest water system under contract O&M in New York State, with facilities and operations that include a 160-MGD surface water treatment plant; 814 miles of water distribution system, customer service management (meter reading, billing and collections); capital program management; and underground asset management (UGAM) and above-ground asset management programs.

Buffalo was one of the first in the U.S. to use the Veolia North American Meter testing facility, with 400 meters from the City being sent to the facility on an annual basis for accuracy testing and evaluation of remaining life. On average, Veolia repairs/ replaces more than 3,400 meters annually in the City, and customer service metrics involve answering the 6,000-7,000 calls a month in one minute or less and collecting 96% of meter revenue - 96% of all meters are true-reads, with only 4% being estimated. Over 3,000 commercial and industrial accounts in Buffalo are now on mobile-read AMR systems.

Veolia transitioned the City's water operations to our firm under a delegate management type of contract, with the O&M staff remaining direct City employees working under the supervision of a Veolia management team. Under this arrangement, Veolia has worked with the City and the staff to establish new work disciplines and procedures and to drive performance and enhance the quality of service. A core part of this effort involved establishing some 20 performance metrics to track and determine performance and accountability under this partnership.

In the area of customer service, Veolia implemented new customer service phone/information systems and partnered with the Water Authority service center staff to implement a process of a customer service cultural change that have enhanced performance and provided a better customer experience.



"The Buffalo Water Board... is confident that we have selected the best operator for our system ... Veolia Water's demonstrated focus on service has convinced us that our long-term partnership will result in notable advances ... We expect Veolia Water to move us forward through the next decade with marked efficiency improvements and technological advances while maintaining our exceptional water quality."

- Oluwole McFoy, Chairperson, Buffalo Water Board
Speaking at the start of the contract in 2010.

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- Client Reference: O.J. McFoy, Water Board Chairperson, City of Buffalo, City Hall, 65 Niagara Street, Rm. 1101, Buffalo, NY 14202 - Telephone: 716/851-4333 - Email: omcfoy@sa.ci.buffalo.ny.us
- **Tampa Bay Water, Florida** - Veolia has worked with this agency since 2000 under multiple contracts that have focused on water treatment, storage and supply. Tampa Bay Water, a regional water authority, serves the needs of 2.5 million for the communities of Tampa and St. Petersburg, and ranks as the largest wholesale treated water supplier in Florida.

The initial project with Tampa Bay Water began in April 2000 when, following a year-long selection process among four competitive teams, this agency awarded Veolia Water a \$135 million, 15-year (with a 5-year option) contract to design, build and the operate a new 60-MGD Regional Surface Water Treatment Facility. Since that time, the Tampa Bay Water-Veolia Water Public-Private Partnership has constantly expanded over the years - a testament to the quality of our work and our client's trust and satisfaction.



The Public-Private Partnership between Tampa Bay Water and Veolia Water, which began in 2000 and now encompasses multiple projects for the water treatment and supply, ranks as the largest and most successful of its type in the State of Florida. The project has been recognized with numerous awards, including the 2013 Plant Operations Excellence Award from the Florida Department of Environmental Protection.

- Our initial DBO contract was for a 66-MGD surface water treatment plant, and that was followed by additional service agreements with Tampa Bay Water for maintenance of a 30-MGD groundwater treatment facility, management of a 15-billion reservoir, and an engineering-procurement-construction management (EPCM) contract for a 45-MGD hydrogen sulfide treatment plant and 20-MGD high-lift pumping station. Tampa Bay Water also awarded Veolia Water a second DBO contract to expand (nearly doubling the size) the original surface water plant from 66-MGD to 120-MGD.
- Today the Public-Private Partnership between Tampa Bay Water and Veolia Water is the largest in Florida, and the surface water treatment plant is among the most technologically sophisticated in the world.
 - Client Reference: Mr. Matt Jordan, General Manager, Tampa Bay Water - 2575 Enterprise Road, Clearwater, FL 33763 - Telephone: 727/796-2355 - Email: mjordan@tampabaywater.org.
 - **DeKalb County Department of Watershed Management (DWM), Georgia** - DeKalb County is Georgia's third-largest county, with more

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than 700,000 residents, and the DWM hired Veolia this year to assist in identifying cost savings and customer service improvement. The work to date has involved conducting a comprehensive and independent review of their water and wastewater operations. These operations include a 140-MGD water treatment plant; 65 pump stations; two wastewater treatment plants (20 MGD and 36 MGD); more than 5,000 miles of water and sewer pipe; and a customer service operation that provides services to 700,000 residents in the Atlanta metropolitan region. The County and Veolia estimate that this review could produce as much as \$8 million in savings annually for DeKalb ratepayers, reducing costs and helping mitigate rate increases.

After a thorough analysis of existing operations, Veolia has presented a proposal to transform the entire customer service organization and leverage existing technological solutions to reduce wait times and increase satisfaction for customers. In addition to customer service, Veolia will support implementation of best practices across the utility's administration, planning, operations, maintenance and capital programs, and billing and collections. In tandem with the assessment, Veolia is working with the DWM to implement County-approved operations and management initiatives focused on achieving measurable operational, revenue and organizational enhancements to ultimately reduce operating costs and improve service levels, allowing DWM to provide more efficient and sustainable services. Some of the early wins under this contract have included: Veolia presented construction and maintenance wrench-time findings and the potential for more than \$1 million in annual impacts; Veolia performed efficiency studies of field operations crews at the wastewater plant that identified more than \$1 million in annual savings through insourcing current contractor spend; and more than \$500,000 in annual savings have been identified in the areas of chemicals and power at the water treatment plant. Veolia continues to work with the County as we focus on shaping a long-term approach to meeting their needs.

- Client Reference: Dr. James M. Chansler, P.E., Director DWM, DeKalb County - 1580 Roadhaven Drive, Stone Mountain, GA 30083 - Telephone: 770/621-7234 - Email: jmchansler@dekalbcountyga.gov
- **New York City, Department of Environmental Protection (DEP), New York** - New York City's DEP contracted with Veolia in 2011 to optimize its operations and help implement savings initiatives. New York City's water and wastewater operations that serve over 9 million people daily, delivering over 1 billion gallons of clean water and treating more than 1.3 billion gallons of wastewater per day. These operations include 13 wastewater treatment plants, a new 290-MGD water

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treatment plant, 6,000 miles of sewers and 7,400 miles of distribution lines. The primary scope of the program involved reviewing all aspects of this utility's operations to assess potential improvements in areas including chemical use and pricing; labor productivity; inventory management; sludge process optimization; and overall O&M. Additionally, the project identified such enabling steps as public outreach, legislative initiatives and other processes for the implementation of recommendations.

Veolia's final report for the Phase 1 work ultimately identified more than 100 implementable measures for the City's consideration. Throughout the first phase of this innovative partnership, the City's employees worked alongside our project team under a joint management and governance structure to identify operational and organizational efficiencies. In order to capture "quick wins," our joint team identified and implemented several cost-saving initiatives within the first three months: chemical procurement modifications, for example, yielded million dollars in annual recurring savings. Under this approach, Veolia has identified opportunities that are expected to yield annually recurring financial benefits of more than \$100 million by 2016, and, to date, over \$90 million in savings and revenue enhancements have been reported by New York City's DEP. These benefits represented between 9% and 11% of the agency's \$1.2 billion fiscal year 2012 budget.

In June 2012, Veolia received notice to proceed with the official implementation phase, Phase 2, which involves implementing the approved recommendations of the assessment phase (Phase 1) under a four-year contract. To implement this phase of the project, we mobilized a world-class team to work with the City's staff in their offices and at their water and wastewater operations locations. Our unique partnership, New York City's Operational Excellence (OpX) program, is focused on enhancing water and wastewater services, streamlining workflows, boosting efficiency and continuously identifying opportunities for improvements that will allow DEP to maintain its high level of customer service, safety and productivity while minimizing rate increases for its roughly 836,000 ratepayers. To achieve this, DEP set an ambitious goal for the OpX program right from the start - to achieve significant operating benefits by 2016. The program goes beyond individual projects and encompasses transformational initiatives, including enhancing performance management, strengthening core capabilities in human resources and procurement and fostering an organizational culture focused on performance and continual improvement. To reach these goals, the Veolia-led team worked with DEP to:

- Review current O&M practices for potential improvements in terms of energy usage and production opportunities, chemical

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usage and pricing, labor productivity, inventory management and optimal sludge processes.

- Recommend implementable measures to improve and/or streamline operations and maintenance, increase efficiencies, enhance productivity and reduce costs.
- Support public outreach, legislative initiatives, and other processes required to implement recommendations.
- Work with DEP staff to implement the recommended initiatives.

During the top-down and bottom-up analysis work conducted in Phase 1, which continues in the Phase 2 work, the Veolia team identified current strengths within DEP's operation and noted five key areas where improvements will have significant financial benefits for the agency: efficient and sustainable use of resources and materials; enhanced workforce effectiveness; improved revenue collection; development of a metrics-based performance culture; and strengthening DEP's support services. The OpX program confirmed that DEP is a world leader in meeting drinking water and wastewater compliance, performing well above the average of similar utilities. In the first six months of the OpX program, 100+ individual improvement ideas were identified and evaluated.

- Client Reference: Mr. Steve Lawitts, Chief Financial Officer, New York City DEP - 59-17 Junction Boulevard, 8th Floor, Flushing, NY 11373 - Telephone: 718/595-6576 - Email: slawitts@dep.nyc.gov.gov
- **City of Indianapolis, Indiana** - From 2002 to August 2011 (when the City completed the sale of its water system assets to a quasi-governmental utility services provider), Veolia operated what was (at the time) the largest water system O&M contract in the U.S. The Indianapolis water system is a regional operation, serving the needs of almost one million people in central Indiana, and included: four surface water treatment plants, ranging in size from 16-MGD to 96-MGD; five groundwater treatment plants, ranging in size from 2-MGD to 24-MGD; a 4,300-mile water distribution system; and pumps, storage tanks and reservoirs. The City's water system includes 38,000 fire hydrants, 300,000+ customer accounts, meter reading (310,000 meters - residential, commercial and fire), meter replacement program, and billing & collection (600,000 accounts). A key element of the project focused on customer service improvements, and over the nine years of work in managing this system (prior to the sale of the utility by the City), Veolia achieved a customer satisfaction rate of at least 90% (independent survey) and answering 88% of 70,000 monthly calls within 30 seconds. Improvements that were implemented by Veolia in the area of customer service includes empowering customer service employees to resolve most issues on the first call ("One and Done"); responding to 99% of emergency calls

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within 60 minutes; maintaining the operations ranking in the top quartile for performance in billing accuracy, customer complaints and O&M (AWWA benchmarking survey); ensuring customers were not without water for more than 12 hours; providing customers with 24-hour access to their billing and account information.

Over the course of this nine-year contract, Veolia stopped a trend of substantial annual customer rate increases and had achieved a cumulative \$83.1 million in savings at contract completion in 2011. At the end of the contract, our annual operating costs were some \$2 million less than the previous management's had been when we started in 2002. Veolia also greatly increased the quality of operations by simultaneously achieving ISO 9001 and 14001 certifications, making the City the only major U.S. city to achieve both certifications.

Veolia also worked with this client to establish a set of key performance indicators (KPIs) that formed the basis for the award of a portion of our fee. Under the incentive plan, a portion of our fees were paid only if we met specified customer service, water quality, operations and other performance measures. By directly linking performance to compensation, this partnership established a new model in the water outsourcing industry. Over the nine-year life of this agreement, Veolia achieved better than 90% of incentive payment fees.

- Client Reference: Mr. Sam Odle, Past Chairman, Board of Waterworks - City of Indianapolis, 3939 Priority Way S. Drive, #400, Indianapolis, IN 46220 - Telephone: 317/706-6349 - Email: samualllodle@gmail.com
- **Atlanta/Fulton County, Georgia** - Veolia, in a 50-50 joint venture with a minority-owned business enterprise, began operating the Atlanta-Fulton County Treatment Plant, which opened in November 1990. Over the term of this contract, Veolia has worked with the facility owner, the Atlanta/Fulton County Water Resources Commission (AFCWRC), to triple the capacity of this water treatment plant using a variety of process improvement and capital improvement approaches.

The scope of work for this project has involved all aspects of facility O&M, as well as working with the AFCWRC for facility expansion and upgrade. Over the past decade, Veolia implemented a pilot program to increase the plant's 30-MGD production capability to meets its rated flow of 45 MGD (as rated by the Georgia Environmental Protection Division, GEPD), with no capital expenditures. Subsequent efforts increased the plant's rated capacity to 56 MGD; with an ultimate treatment capacity of 135 MGD. Water demand is so great that the Commission began Phase II earlier than planned to upgrade the plant to 90 MGD. The plant has been running at this new flow capacity since March 1998. Our O&M program has also reduced the power,

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chemicals, and overall operations costs, with savings passed on 100% to the AFCWRC. In addition, we have had no change orders to the contract even though the plant capacity expanded to 90 MGD under our current agreement. The project also includes O&M responsibility for a 200-MGD raw water pumping station, dual 54-inch raw water pipe, more than 800 million gallons of reservoir capacity, and the treatment plant. The raw water pumping station—located on the Chattahoochee River—and raw water mains connect it to the surface water treatment plant. Major process equipment at the plant includes raw water traveling screens, grit removers, pumps, chemical addition/feed systems, meters, rapid-mix and flocculation chambers, declining-rate filters, clearwell storage, and finished-water pumps.

The success of the water operations project also led to a new contract with Fulton County for the O&M of their regional wastewater facilities, as highlighted above, and in 2014 Veolia was again selected for the renewal of the water operation contract at Atlanta-Fulton County under a competitive renewal process - extending this partnership for another 10 year term.

- Client Reference: Ms. Kathy Crews, General Manager - Atlanta-Fulton County Water Resources Commission - 9750 Spruill Road, Alpharetta, GA 30202 - Telephone: 678/942-2790
- Email: kcrews@afcwrc.com

- **District of Columbia Water and Sewer Authority (DC Water), Washington, DC** - DC Water is the largest wholesale customer of the Washington Aqueduct, a federally owned public water supplier operated by the U.S. Army Corps of Engineers. Wanting to ensure it is - and will continue - receiving maximum value from its water supplier, DC Water, in association with the Aqueduct, retained Veolia to conduct a comprehensive evaluation of the Washington Aqueduct operations and related organization processes and then recommend improvements that will add value to the delivery of services to its wholesale customers.

Working in collaboration with Aqueduct staff, Veolia brought in experts to complete the evaluation phase (Phase 1), focused on identifying ways to ensure that DC Water is receiving reliable, quality drinking water at efficient production cost. More than 25 individual improvement ideas were identified and thoroughly evaluated during the four-month study phase, and up to 15% in savings were identified by the Veolia at the Washington Aqueduct. The cumulative annual impact of successfully transforming operations is projected to be between \$8 million and \$12 million total (OPEX and CAPEX) recurring yearly saving. Veolia worked to review every aspect of the Aqueduct's operations, including the treatment process, maintenance and support functions. This review included the Aqueduct's capital

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program and also included an assessment of the key financial metrics and a high-level asset valuation.

Additionally, our Team worked to benchmark the Aqueduct operations against some of Veolia's own operations, as well as other publicly operated utilities in order to identify gaps in performance and efficiency. This comprehensive analysis work involved site visits to the treatment facilities, discussions with staff, hands-on observations of the work performed, and in-depth review and analysis of all of the documentation provided. For example, the maintenance assessment involved over 100 hours of wrench-time observations, and for the procurement scope, we reviewed all of the contract specifications, terms and conditions. As part of this work, our teams conducted over a dozen one-on-one discussions and workshops with leadership and staff.

Veolia's team also analyzed data available across the organization and built new databases where necessary to generate insight. For instance, we used the CMMS data to develop the Pareto analysis in the maintenance section of the final report. To recommended implementable measures, Veolia facilitated workshops to generate, prioritize and refine initiatives across the different scope areas of the assessment. Most of the prioritization took place during the Steering Committee meetings, which included both Washington Aqueduct and DC Water participation and input. The Wholesale Customer Board was also involved in the review process through a presentation in September 2013 that summarized the primary findings and recommendations of the study. Working with the Washington Aqueduct and DC Water, Veolia identified approximately 10 improvement initiatives for maintenance, six initiatives in capital planning, five initiatives for water treatment, three initiatives for operations and two initiatives for support functions, including procurement. All of these more than 25 initiatives are supported by proposed enhancements in communications, training and performance management. These activities are often referred to as "enablers," which help organizations get the most out of their initiatives by properly supporting them with investments in these three overlapping activities.

Veolia has been selected to continue into Phase 2, Implementation, and that work (which will begin in 2015) will involve advising Aqueduct management and staff, coaching them on how to perform the recommended enhancements, measuring progress and refining approaches. The focus of this approach will be on ensuring that the staff can carry on this work and that the Washington Aqueduct can continue to benefit from our expertise long after our contract concludes.

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- Client Reference: Thomas P. Jacobus, General Manager - Washington Aqueduct, Baltimore District, U.S. Army Corps of Engineers, 10 South Howard Street, Baltimore, MD 21201
- Telephone: 202/764-0031- Email: thomas.p.jacobus@usace.army.mil
- Staff Experience -Veolia, as an attachment to this letter, has provided resumes for the two core staff proposed for this project. These resumes provide the requested information on each staff member, including experience, relevant education, degrees, certifications and any other pertinent information related to the base of experience they bring to this partnership with the City of Flint.
- Project Scope - At the start of this letter we provided a statement discussing the firm's understanding of the requested services and our approach to providing the services requested.
- Price for Services -With our proposed approach, presented earlier in this letter, Veolia provide a pricing schedule (hourly rates for key staff) to perform the requested services.
- Affidavit - Veolia has completed the required Affidavit and it is provided as part of our submittal (as an Attachment to this letter).

Finally, as we discussed at the start of this letter, Veolia is offering this as an Alternative Bid/Proposal, which is being submitted to you in the requested form and format - an executed original and two copies of our letter proposal submittal.

Additionally, I will remain the Veolia Executive Sponsor for this proposed work with the City of Flint, and will be the key contact as we move forward with this process. As we have discussed in our meetings with you, my background for this key role a combination of utility management experience, as well as experience in leading Veolia's PPS work with other major utilities in the U.S. I am also the former President and Manager of the Indianapolis water system, which Veolia operated and managed for more than nine years, achieving an industry first in performance standards and quality management. My contact information is as follows:

Mr. David Gadis - Senior Vice President - Sales - Municipal and Commercial Development
Veolia Water North America Operating Services, LLC
101 West Washington Street, Suite 1400 East, Indianapolis, Indiana 46204
Telephone: 317/716-5683 - Fax: 317/917-3718 - Email: david.gadis@veolia.com

I invite you to contact me should you have any questions with regard to our Bid/Proposal, or if you need any additional information. We

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very much look forward to your review of this submittal and the next steps in this procurement process for this proposed new partnership.

Sincerely yours,

David Gadis
Senior Vice President
Veolia Water North America Operating Services, LLC

Attachments:

- Resumes for Key Staff
- Experience Summary Table - Veolia Operated Water Plants
- Affidavit for Corporation

CITY OF FLINT, MICHIGAN

AFFIDAVIT

AFFIDAVIT FOR INDIVIDUAL

STATE OF: Indiana

S.S.

COUNTY OF: Marion

David M. Gadis being
duly
sworn, deposes and says that he is the person making the above bid; and
that said bid is genuine and not sham
or collusive, and is not made in the interest of or on behalf of any
person not therein named, and that he has
not directly or indirectly induced or solicited any bidder to put in a
sham bid; that he has not directly or indi-
rectly induced or solicited any other person or corporation to refrain
from bidding, and that he has not in any
manner sought by collusion to secure to himself any advantage over other
bidders.

Subscribed and sworn to before me at City of Indianapolis
, in said County and State,

this 26th day of January, A. D.
2015

*Notary Public, _____
County, Marion

My Commission expires _____, 20____

FOR CORPORATION

STATE OF: Indiana

S.S.

COUNTY OF: Marion

David M. Gadis being duly sworn,
deposes and says

that he is Senior Vice President of Veolia Water North America
Operating Services, LLC

(Official Title)

(Name of Corporation)

a corporation (**Limited Liability Company**) duly organized and doing business
under the laws of the State of Delaware the corporation making the within

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and foregoing bid; that he executed said bid in behalf of said corporation **(Limited Liability Company)** by authority of its Board of Directors; that said bid is genuine and not sham or collusive and is not made in the interests of or on behalf of any person not herein named, and that he has not and said bidder has not directly or indirectly induced or solicited any bidder to put in a sham bid; that he has not and said bidder has not directly or indirectly induced or solicited any other person or corporation to refrain from bidding; that he has not and said bidder has not in any manner sought by collusion to secure to himself or to said corporation an advantage over other bidders.

Subscribed and sworn to before me at City of Indianapolis
, in said County and State,

this 26th day of January, A. D.
2015

*Notary Public, _____
County, Marion

My Commission expires _____, 20____